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**FISCAL IMPACT STATEMENT**

**LS 7299**

**BILL NUMBER:** SB 454

**NOTE PREPARED:** Jan 7, 2004

**BILL AMENDED:**

**SUBJECT:** Broadband Deployment Partnerships and Account.

**FIRST AUTHOR:** Sen. Merritt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Broadband Deployment Account in the state General Fund to make digital subscriber line (DSL) Internet service available throughout Indiana. The bill requires the Indiana Utility Regulatory Commission (IURC) to administer the account. The bill allows local exchange carriers and certain nonprofit, community, and governmental entities to form a broadband deployment partnership and apply to the IURC for grants or loans from the account. It provides that a partnership must include at least one local exchange carrier. The bill also provides that grants and loans from the account may be used by a partnership to purchase, acquire, construct, expand, improve, or maintain DSL equipment in underserved areas. It allows the IURC to adopt rules to do the following: (1) Designate areas in Indiana as underserved areas with respect to DSL service. (2) Establish requirements for grants and loans from the account. (3) Allow local exchange carriers to collect a universal DSL service charge on their periodic billings for remittance to the IURC and deposit in the account. The bill requires the Regulatory Flexibility Committee to annually study the status of broadband service in Indiana and report any recommendations to the Legislative Council. The bill requires the IURC to annually report to the Committee on broadband service in Indiana.

**Effective Date:** Upon passage; July 1, 2004.

**Explanation of State Expenditures:** *IURC:* This bill expands the duties of the IURC to include the oversight of the collections and distribution of the funds to the Broadband Deployment Account, created in this bill. Under the bill, the IURC could adopt rules so that local exchange carriers could collect a universal DSL service charge on their periodic billings for deposit in the Broadband Deployment Account. The account would also consist of any other appropriations, and federal funds received, interest earned on the account, and any money received in the form of grants, gifts, or contributions. The IURC may distribute funds in the

account to eligible partnerships seeking to deploy DSL Internet service in rural or underserved communities or for other activities designed to increase the availability of DSL Internet service in Indiana.

The bill also requires the IURC to prepare a presentation to the General Assembly's Regulatory Flexibility Committee on the effects of regulations, competition, price, technology and deployment, and other market forces on the availability and quality of broadband service in Indiana.

The administration of the Broadband Deployment Account will presumably increase the IURC's administrative and staffing costs. The funds and resources required by this bill could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. As of January 5, 2003, the IURC had two vacancies. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

*State Agencies:* If phone companies adopt a universal DSL service charge, state agencies' telephone service costs could increase.

*Background Information:* The bill allows partnerships of local exchange carriers and local governments, schools, and universities, and nonprofit organizations to apply for grants from the Broadband Deployment Account from the IURC. Grant funds may be used to deploy eligible broadband equipment in underserved areas.

*Background on IURC and Office of the Utility Consumer Counselor Funding (OUCC):* The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2003, fees from the utilities and fines generated approximately \$10.9M.

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** If phone companies adopt a universal DSL service charge, local units of governments' telephone service costs could increase.

#### **Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Utility Regulatory Commission.

**Local Agencies Affected:** Local units, schools, and universities that join a broadband deployment partnership.

#### **Information Sources:**

**Fiscal Analyst:** John Parkey, 317-232-9854.